

**REMARKS**

As an initial matter, the Applicant thanks the Examiner Casler for the Office Action dated January 16, 2007 (the "Office Action") and the additional prior art references provided along with the Office Action. All claims pending for the purpose of the Office Action have been cancelled. Claim 22 has been added.

The Office Action states that previous citations filed on behalf of the Applicant could not be evaluated because the "specification does not contain paragraph numbers and the examiner is unable to determine which sections the applicant is quoting." For the convenience of the Examiner, a copy of the Applicant's patent application that has been published by the USPTO is provided along with this Amendment and Response to Office Action as Attachment A. Attachment A includes the paragraph numbers referred to in this response as well as in past correspondences.

Before addressing the substance of the Office Action, the Applicant sets forth the following discussion of terminology relating to the underlying inventive concepts.

**I. Inventive Concepts and Terminology****A. Entity-Constituent Relationships**

Applicant's claim focuses on the relationship between an entity and a constituent. Numerous examples of different relationships are provided in the Specification:

<b><u>Relationship</u></b>	<b><u>Specification Citation</u></b>
company-customer	[0003]
organization-member	[0044]
employer-employee	[0046], [0047]
company-supplier	[0046], [0047]
company-investor	[0046], [0047]
airline-passenger	[0047]
Hotel chain-guests	[0047]

Given the specific examples in the Specification, someone skilled in the art would identify that an "entity" is potentially any individual or organization with relationships to

others. In many contexts, an “entity” is a business, but other types of organizations such as non-profit groups, educational institutions, professional associations, and any other type of organization that can have members can constitute an “entity” with respect to the Applicant’s claims.

The term “constituent” is similarly comprehensive. Those skilled in the art would identify that a “constituent” could be a customer, a student, or any other type of member to an organization.

Although the terms “entity” and “constituent” include numerous examples outside the company-client context, the discussion below will focus on examples involving a “company” and a “customer”.

### **B. Franchise Value**

The function of Applicant’s claim is to provide companies with means for “improving franchise value.” See [0045]. This is a “useful, concrete, and tangible result” for the purposes of 35 USC 101, discussed below. “Franchise value (relative to the customer constituency) is simply the product of the number of relationships (e.g. number of customers), the average relationship profitability (per year), and the average duration of relationships (in years, as an example).” See [0045]. Thus, in the business context, maximizing franchise value is synonymous with maximizing the value of a customer relationships, way in which to increase profits.

The ability to enhance the value of customer relationships is a valuable utility because in a commercial context it addresses the fundamental goal of a for-profit enterprise--making a profit. In the aggregate, a company makes a profit when the aggregate value of the benefits provided by a company to its customers are greater than the aggregate value of the costs incurred to provide those benefits. The invention takes this general principal and applies it in ways that are both novel and non-obvious. From the perspective of a company, compensation for the providing of benefits is a “get” and the costs associated providing those benefits is a “give.” The invention enhances the ability of entities and constituents to engage in mutually beneficial exchanges by assigning numerical values to both sides of the equation.

### **C. Exchange Elements and Behaviors**

The inventive methodology enhances the value of a relationship by facilitating win-win transactions. One way the invention can be used to achieve this benefit by

monetizing behaviors (e.g. attribute numerical values to certain behaviors) that may not otherwise be associated with a selling price. Paragraph [0071] of the Specification provides some insights of how exchange elements and behaviors can be identified and associated with numerical values in the context of an airline-passenger relationship.

Shown in block 100 is the value exchange quantification component in which the airline identifies and assigns a value to specific behaviors of the passenger in block 302 and identifies and assigns a value to investments or exchange elements in block 304. As shown in block 304 exchange elements include trip and flight planning, baggage handling, airline club use, etc. Shown in block 102 is the mindset causal modeling component in which the airline determines the experience of the passenger with respect to each of the exchange elements in block 306, determines the mindset of the passenger as a result of the experiences in block 308 and determines the resulting behaviors of the passenger in block 310. As shown in block 310, passenger behaviors include flying that airline exclusively, referring friends to the airline, paying full fare, etc. In block 312, the airline can make adjustments to the exchange elements to affect the experiences and ultimately the resulting behaviors of the passenger. For example, if it were found that use of the airline club during layovers caused passengers to fly exclusively with the airline or to pay a higher fare, the airline could increase the availability of the club to more passengers, thus causing more passengers to tend to use the airline exclusively and/or to pay higher fares.

In the above example, numerical values are assigned by the airline to airline “gets” such as referrals, exclusivity, paying a higher fare, etc. Similarly, numerical values are assigned by the airline to airline “gives” such as trip and flight planning, baggage handling, airline club use, etc. Given these valuations, constituents can be presented with a larger menu of opportunities to maintain and expand a relationship with the entity.

Paragraph [0048] provides an additional discussion of the “exchange elements” as entity “gives” and “behaviors” as company gets.

At the heart of this invention is the aspect of intentional investments, a scientific approach to altering the “give” (company investments) and the “get” (constituent behaviors). One can think of this intentional investment process as balancing the “give” and the “get.” In order to do this several key components of the invention are required as capabilities in an organization. At a high level, one must be

able to define and describe a mutually exclusive and collectively exhaustive set of "gives" (investments in the form of exchange elements) and "gets" (customer behaviors). In the value web point of view the "give" extends beyond the company to the extended enterprise. The capabilities required to perform this give and get analysis and definition do not typically exist in organizations, in fact, the capabilities are rare even at this point in the transformation.

The Applicant's invention can perform useful, concrete, new, and non-obvious functionality by facilitating "win-win" transactions merely by implementing the "value exchange quantification component" aspects of the invention that are discussed above. See [0004]. The quantification component referred to in [0004] can include process steps such as steps identifying exchange elements (step 110), assigning numerical values to the exchange elements (step 114), identifying behaviors (step 118), associating numerical values to the behaviors (step 122), and passively letting customers and other constituents navigate the options available to them on an atomic level.

However, Applicant's Claims currently include additional functionality relating to "a mindset causal modeling component" and "a normative process architecture that serves as a continuous improvement process that links the value exchange quantification component and the mindset causal modeling component." See [0004]. In other words, the Applicant's invention can include an iterative process/feedback loop to identify mutually beneficial investments of resources. An important aspect of the "improvement cycle process/loop" for "optimizing the value exchange between the entity and the constituent population" is the concept of a "gap." See [0054].

#### **D. Gaps**

There are several types of "gaps" identified in the Specification. Paragraph [0058] of the Specification identifies "five potential types of gaps":

(1) a fit gap--a gap between what is offered by the entity and what is needed/wanted/expected by the constituent; (2) a delivery gap--a gap between what is promised by the entity and what is delivered to the constituent; (3) a design or investment gap--a gap between what is designed (in terms of investments in constituents) and the aim of the constituent; (4) an enablement gap--a gap between what the expectations of the constituents and the technological ability

of the entity to deliver to the expectations; and (5) a fairness or value gap--a gap between the value exchanged, i.e., what the constituent gives to the entity compared to what the constituent receives from the entity.

In particular, the claims refer to identifying a “value exchange gap.” The purpose of identifying such a gap is to “adjust specific exchange elements to cause a corresponding adjustment in specific behaviors” to facilitate an increase in the value contributed by the constituent. In other words, the numerical values associated with the exchange elements and behaviors can be adjusted over time and the atomic units of exchange elements/behaviors can be added, updated, or deleted as entities proceed with the continuous process of enhancing the value of their relationships.

The inventive methodology uses the concept of a value exchange gap to identify ways in which to expand the exchange of exchange elements and behaviors making up the relationship between the entity and the constituent. For example, in the context of the airline example, a referral to an airline by a passenger may be highly desired by the airline, while not constituting a significant burden on the passenger. Similarly, airline club usage can be provided by an airline at relatively minimal cost in comparison to the benefit of a passenger who always pays full fare.

## **II. NEW MATTER OBJECTION**

All claims that include the claim limitation of “not a monetary amount” have been cancelled. The objection stated in paragraph #1 of the Office Action is thus traversed.

## **III. 35 USC §112**

As discussed above, the “not a monetary amount” limitation has been removed. Thus, the basis for rejection provided in paragraph #2 of the Office Action is traversed.

Claim language pertaining to certain types of data such as costs and valuations have been changed from “identifying” the applicable data to the “storing” of such data. The claimed invention now treats the various data inputs as a black box. Thus, the bases for rejection provided in paragraphs 3-6 of the Office Action are traversed.

With respect to the basis of rejection provided in paragraph 7 of the Office Action, additional limitations have been added to the “sum” processing the comparing of the two sums.

#### IV. 35 USC 101

In rejecting Applicant's claims pursuant to 35 USC 101, the Office Action relies on the alleged "subjectivity" of Applicant's claims. As an initial matter, the Applicant points out that the claim terminology has itself been modified so that the processes of assigning costs and benefits valuations no longer falls under Applicant's claim.

For the purpose of addressing the various 35 USC 101 arguments, the Applicant makes reference to the following prominent examples of "business method" patents. It is the contention of the Applicant that as applied to Applicant's Claim, the following issued patents (the "Issued Patents") would be invalid due to 35 USC 101. However, in contrast to the logic asserted in the Office Action, the patents listed below have each been found to satisfy the requirements of 35 USC 101. This chart is presented as evidence of legal precedent that is binding on the Examiner.

**The Examiner does not have the discretion to disregard the holdings set forth by the U.S. Court of Appeals for the Federal Circuit or the Board of Patent Appeals and Interferences.** If the reasoning contained in the Office Action is contrary to the logic set forth in adjudication of the Issued Patents, then the reasoning cannot be used to reject Applicant's claim pursuant to 35 USC 101.

<u>U.S. Patent #</u>	<u>Title</u>	<u>First Listed Inventor</u>	<u>Comments/Notes</u>
7,065,495	Method and apparatus for preventing oligopoly collusion	Lundgren	<i>In Re Lundgren</i> , Appeal No. 2003-2088 Application 08/093,516. HEARD: April 20, 2004.
5,193,056	Data processing system for hub and spoke financial services configuration	Boes	<i>State Street Bank &amp; Trust Co. v. Signature Financial Group Inc.</i> , 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998).
5,333,184	Call message recording for telephone systems	Doherty	<i>AT&amp;T Corp. v. Excel Communications, Inc.</i> , 172 F.3d 1352, 50 USPQ2d 1447 (Fed Cir. 1999).

The ability of the claimed methodology to be implemented in one more than a single embodiment does not make Applicant's claim "subjective" or "abstract." Many inventions are capable of being configured in multiple ways, such that the same practitioner can generate different results from the same input by implementing different configurations to the claimed invention.

The Office Action asserts that Applicant's Claims are subjective because "for a single situation, there could be different results based on the subjective determination of the user." It is true that the invention relies on certain inputs in order to implement the claimed invention. It is also true that different users of the invention will implement the invention using different data. However, the fact that the invention can be implemented in different ways does not render the Claims "subjective." The only alternative to a claim incapable of being implemented in more than one way would be a claim incapable of covering more than a single embodiment. However, every "genus" claim can be practiced in more than one manner based on the configuring parameters used by the person implementing the invention. Thus, the logic of the Office Action suggests that all genus claims should be rejected based on "subjectivity." Each of the claimed process steps satisfies the same level of "objectivity" as the Issued Patents. Rejecting of Applicant's claim is contrary to the binding legal precedent relating to the Issued Patents.

**1. Several of the process steps are repeatable calculations**

Referring to Claim 1 as an example, several of the process steps are straight forward calculations in which given a certain set of inputs, a certain numerical result is clearly the correct answer. Three of the steps in Claim 22 are straight-forward mathematical operations—the operation of summing or adding. Given the same set of inputs, any practitioner would derive the same outputs from the above steps. Thus, such process steps are clearly not subjective and the focus can then be placed in the remaining process steps.

**2. Identifying data elements is not a "subjective" step**

The "identifying" claim language has been changed to "storing" data that serves as an input for the claimed invention. However, it is worth pointing out that the reasoning set forth in the Office Action conflicts with precedent that is binding on the Examiner.

- **choosing an absolute performance standard from a set of absolute performance standards** (Claim 1 – Lundgren). *Different practitioners can define different sets of absolute performance standards. Even if presented with the same list of performance standards, different practitioners can pick a different*

*individual absolute performance standard (e.g. same inputs generating different result). The term “choosing” would be said to be inherently “subjective” under the reasoning of the Office Action, and yet the claim was found to be allowable.*

- **retrieval from the storage medium of any previously input data regarding daily incremental income** (Claim 4- Boes). *Different implementations of the invention may use a variety of different types of input data. Moreover, there is nothing in the claim to suggest that the same user must provide input data in manner that is consistent with respect to format or type.*
- **retrieving from the storage medium the data regarding all daily activity for the portfolio and each of the funds** (Claim 6 – Boes). *Different practitioners can select different types of data to constitute “daily activity” which will result in different types of data being stored (e.g. a different result based on implementation chosen by practitioner).*
- **providing, in said message record, an indication which has a particular value when the particular interexchange carrier over which said call was carried is the PIC for said terminating subscriber** (Claim 12 – Doherty). *Different practitioners will use different types of variables to serve as an indication—it could be binary flag, string, number, text, etc.*

### 3. Assigning a value to a data element is not “subjective”

Again, Applicant’s claim has been modified to claim the storing of certain types of data, not the preliminary assigning of a value to an exchange item or behavior. However, it is worth pointing out that the reasoning provided in the Office Action contradicts the binding precedent relating to the Issued Patents, each of which includes valuation steps that the Office Action would consider to be “subjective.”

- **determining a performance measure for each of said comparison firms for said sampling period** (Claim 12 – Lundgren). *Different practitioners can use a different a type of performance measure, and can even “calculate” the same performance measure in a variety of different ways.*
- **allowing the pricing date data to be corrected if necessary** (Claim 5- Boes). *Application of the reasoning in the Office Action would suggest that the phrase “if necessary” is subjective because different practitioners may disagree as when correction is necessary.*
- **wherein said message record generating step includes the step of rating said each call to determine a rated charge therefor and wherein said billing step includes billing an amount for ones of said calls which is less than said rated charge if the indications in the message records for such calls have said particular value.** (Claim 22 – Doherty). *The combination of “indications” and “particular value” can be configured differently for the exact same circumstance.*



#### 4. Using data to modify other data is not subjective

The remaining process steps included in claim 22 involve using the value associated with a data element to influence the value associated with a different data element. These process steps do not necessarily involve 1:1 ratio in terms of inputs to outputs, meaning that the invention can be implemented differently so that different implementations of the invention could potentially generate different outputs from the same inputs. The ability of claim 22 to be infringed by multiple embodiments of processing does not render claim 22 “subjective.”

A search of the USPTO database on September 22, 2006 revealed that **15,714** issued patents include some derivative of the word “influence” within the claims of the patent. The word “influence” cannot be reduced to 1:1 to ratio of input to output. Different embodiments of an invention can be configured to give different weight to one or more inputs that are relevant to a particular output. In those 15,714 patents, there are claims that for “a single situation, there could be different results based on the subjective determination of the user” or practitioner. However, such “subjectivity” is not grounds for rejection of the patent claim. The Office Action does not cite any legal precedent suggesting that the word “influence” is unacceptable subjective for the purposes of 35 USC 101.

There are numerous examples in the Issued Patents of process steps in which the same configuration of inputs could result in a wide variety of outputs, depending on the particular implementation of the invention.

- **transferring compensation to said manager, said transferred compensation having a value related to said managerial compensation amount** (Claim 1 – Lundgren). *The claim does not specify how the managerial compensation influences or is otherwise used to calculate the transferred compensation, and yet the claim was found to satisfy the requirements of 101.*
- **measuring an effort indicator related to an effort exerted by said manager in exercising administrative control over said primary firm during said sampling period and wherein the value of said transferred compensation is additionally related to the magnitude of said effort indicator** (Claim 4 – Lundgren). *The claim does not specify what the relationship is between the transferred compensation and the effort indicator. Different practitioners of the invention may implement different degrees of relatedness.*
- **determining a weighted performance comparison base based on said set of comparison firm performance measures** (Claim 1 – Lundgren). *The phrase “based on” is similar to “influence” or “related” – it does not specify a particular relationship or method of calculation.*

In summary, Applicant's Claims are no more "subjective" than the Issued Patents or the 15, 714 patents that include some derivation of the word "influence" in one or more claims.

**V. 35 USC 102**

Claim 22 is new, and includes elements not disclosed in the prior art cited by the Examiner. Claim 22 is thus in condition for allowance.

**CONCLUSION**

The Applicant believes that claim 22 is in condition for allowance. To the extent that the Examiner disagrees that claim 22 is in condition for allowance, Applicant respectfully requests that the Examiner contact Applicant's attorney for a telephonic interview.

A fee for a Two-Month Extension is enclosed with this paper.

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Respectfully submitted,

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